

## PERU

<b>SECTOR:</b>	Credit
<b>PROJECT NAME:</b>	Multi-Sector Credit Program: Stage II (1137/OC-PE)
<b>TOTAL COST:</b>	\$334.3 million
<b>FINANCING:</b>	
<b>IDB</b>	\$200.0 million
<b>LOCAL</b>	\$134.3 million
<b>DATE OF APPROVAL:</b>	November 4, 1998
<b>GENERAL DESCRIPTION:</b>	<p>The program will sustain profitable, private-sector investment activity in the face of external shocks to the financial sector, such as the El Niño phenomenon and the Asian financial crisis, and enable firms of all sizes to continue to invest and grow at rates consistent with demand for their products. The loan finances a Financial Development Corporation (COFIDE) program with intermediary financial institutions (IFIs), with two components: (a) PROBID II, to provide multi-sector credit to firms of all sizes; and (b) a Multi-Sector Financing Program for Small Enterprise (PROPEM), to increase the access of small businesses to medium- and long-term financing and enable banks to develop new lending programs for small investors and consolidate existing programs. Technical assistance activities for the small enterprise component will be funded with counterpart resources, and will assist with: (a) implementation of environmental safeguards; (b) business development services; (c) study of domestic financial markets; and (d) impact evaluation of PROPEM. The first component will provide financing for medium- and long-term loans to investors for the establishment, expansion and improvement of private-sector productive activities through: (a) purchase of fixed assets, including permanent working capital associated with the project; (b) investment-related technical and administrative support services; and (c) financing of exports of capital goods, consumer durables, and engineering and installation services as well as the sale of capital goods in the local market. The second component will set aside funds for medium- and long-term loans to small investors to finance: (a) the establishment, expansion and improvement of plant and equipment and related design costs and support services; and (b) permanent working capital.</p>
<b>CONSULTANTS:</b>	<p>COFIDE, the executing agency for the program, will contract a consultant to design ongoing impact evaluation mechanisms to: (a) review current and potential small business demand for long-term credit, according to size of firm; (b) quantify transaction costs of the various types and sizes of loans made; (c) identify obstacles to small business access to credit; (d) evaluate the impact of the credit program on the intermediary financial institutions (IFIs) and sub-borrowers in terms of improved credit delivery mechanisms for the former and changes in the manner and cost of financing investment activities for the latter; and (e) evaluate compliance with the environmental protection requirements. COFIDE will also contract independent consultants to carry out an <i>ex post</i> evaluation of both components of the program, to include: (a) the effectiveness of the discount mechanism</p>

and lines of credit as resource allocation devices; (b) the operational effectiveness of the IFIs participating in the program; (c) the quality of the service provided to small enterprises; and (d) the compliance of the small enterprises with environmental requirements.

**EXECUTING AGENCY:**

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